COVER SHEET

3 4 0 0 1

S.E.C. Registration Number

B A N C O D E O R O U N I V E R S A L B A N K

(COMPANY'S FULL NAME)

1 2 A D B A V E N U E O R T I G A S C E N T E R

M A N D A L U Y O N G C I T Y

(BUSINESS ADDRESS: NO. STREET CITY/TOWN/PROVINCE)

ALBERTO D. REYES/RUBY A. CRUZ

Contact Person

702-6000 LOC 5325/5326

Company Telephone Number

Month	Day	Form Type	Month	Day
0 6	3 0	S E C 1 7 - Q	0 5	2 6

Annual Meeting

Secondary License type, if applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

1,716

Total No.of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be Accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Stamps

Remarks: Pls. Use black ink of scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND BRC RULES 17 (2) (b) THEREUNDER

1. For the quarter ended **June 30, 2006**.

2. Commission identification number **34001** 3. BIR Tax Identification No. **000-708-174-000**

BANCO DE ORO UNIVERSAL BANK
4. Exact name of issuer as specified in its charter

Mandaluyong City, Philippines
5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code (For SEC Use Only)

12 ADB Ave. Ortigas Center, Mandaluyong City
7. Address of issuer's principal office Postal Code

702-6000 Loc. 5325 & 5326
8. Issuer's Telephone number, including area code

NA
9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Section 8 and 12 of the Code of Section 4 and 8 of the RSA

Title of each class	Number of shares of common stock outstanding	Amount of Debt Outstanding
Common stock	**962,023,048**	

11. Are any or all of the securities listed on a stock exchange?
Yes **[X]** No. [ ]
If yes, state the name of such stock exchange and the class/es of securities listed therein: Philippine Stock Exchange -Common Stock

12. Indicate by check mark whether the registrant:
a. has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA 11 (a)-1 thereunder, and Section 26 and 141 of the Corporations Code of the Philippines, during the preceding twelve (12) months or such shorter period the registrant was required to file such reports.

Yes **[X]** No. [ ]
b. has been subject to such filing requirements for the last ninety (90) days
Yes **[X]** No. [ ]

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer..... **BANCO DE ORO UNIVERSAL BANK**

Signature and Title..... **LUCY CO DY**
SVP/COMPTROLLER

Date..... **August 11, 2006**

Principal Financial /Accounting Officer/Comptroller..... **LUCY CO DY**

Signature and Title..... SVP/COMPTROLLER

Date..... **August 11, 2006**

SEC FORM 17-Q

I hereby certify that all the information set forth in the above report are true and correct of my own knowledge.

LUCY CO DY (SVP Comptroller)
Authorized Signatory
(PRINTED NAME &DESIGNATION)

REPUBLIC OF THE PHILIPPINES }
CITY OF MANDALUYONG } S.S.

SUBSCRIBED AND SWORN TO before me this 11th day of August, 2006, the above affiant exhibiting to me his/her described Competent Evidence of Identity ("CEI"):

Name	CEI	Date & Place Issued
Lucy Co Dy	Passport – JJ891301	06.06.2002/Manila

Atty. CRISTINA G. NGO
Notary Public until 12/31/07, Mandaluyong City
No. 12 ADB Avenue Ortigas Center, Mandaluyong City
Roll No. 38228, IBP Lifetime Member No. 02468
PTR No. M0840557, Mandaluyong City. 01/03/06

Doc. No. 429
Page No. 93
Book No. II
Series of 2006

* To be signed by any of the following officers pursuant to a Board Resolution filed with the Commission

1. Chief Operating Officer
2. Chief Financial Officer
3. Comptroller or Treasurer

BANCO DE ORO UNIVERSAL BANK & SUBSIDIARIES
12 ADB Ave Ortigas Center, Mandaluyong City

CONDENSED STATEMENT OF CONDITION
(Amounts in Thousands of Pesos)

		As of Jun 30, 2006		Audited As of Dec 31, 2005
RESOURCES				
CASH AND OTHER CASH ITEMS	P	3,262,092	P	6,621,220
DUE FROM BANGKO SENTRAL NG PILIPINAS		14,400,753		4,271,506
DUE FROM OTHER BANKS		5,025,209		5,134,339
INVESTMENT SECURITIES				
Financial Assets at Fair Value Through Profit or Loss		5,990,454		7,502,555
Available-for-Sale Securities – net		62,060,640		49,520,137
Held-to-Maturity Investments – net		51,480,267		31,041,642
LOANS AND OTHER RECEIVABLES – net		115,367,761		104,114,877
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – net		1,860,879		1,723,771
EQUITY INVESTMENTS - net		3,477,425		3,551,936
REAL AND OTHER PROPERTIES ACQUIRED				
Non-Current Assets Held for Sale		3,410,777		3,454,997
Investment Properties		1,678,768		1,396,305
OTHER RESOURCES - net		16,316,336		15,431,501
TOTAL RESOURCES	P	284,331,361	P	233,764,786
LIABILITIES AND CAPITAL FUNDS				
DEPOSIT LIABILITIES				
Demand	P	4,905,893	P	4,726,836
Savings		131,363,648		99,283,098
Time		64,396,958		55,656,189
Total Deposit Liabilities		200,666,499		159,666,123
BILLS PAYABLE		53,425,588		45,845,351
DERIVATIVE LIABILITIES		1,413,904		1,158,317
OTHER LIABILITIES		7,543,441		6,860,690
Total Liabilities		263,049,432		213,530,481
CAPITAL FUNDS		21,281,929		20,234,305
TOTAL LIABILITIES AND CAPITAL FUNDS	P	284,331,361	P	233,764,786
CONTINGENT				
Trust department accounts	P	94,031,877	P	111,783,142
Unused commercial letters of credit		7,598,684		6,576,081
Outstanding guarantees issued		2,065,980		849,335
Bills for collection		850,030		1,669,243
Late deposits/payment received		537,776		501,330
Others		81,272,491		55,937,126
TOTAL CONTINGENT ACCOUNTS	P	186,356,838	P	177,316,257

Note: This Financial Statement is in accordance with generally accepted accounting principle (GAAP)

BANCO DE ORO UNIVERSAL BANK & SUBSIDIARIES
12 ADB Ave. Ortigas Center, Mandaluyong City

CONDENSED STATEMENT OF INCOME & EXPENSES
(Amounts in Thousands of Pesos Except Per Share Data)

	For the six-month Period ended Jun 30, 2006	For the six-month Period ended Jun 30, 2005	For the Quarter ending Jun 30, 2006	For the Quarter ending Jun 30, 2005
INTEREST INCOME ON				
Loans and Receivables	P 4,400,133	P 3,290,397	P 2,278,660	P 1,699,780
Investment Securities	4,103,596	3,618,926	2,275,660	1,966,287
Due from Other Banks	169,668	104,438	94,159	61,039
Others	226,408	20,429	43,119	-8,057
Total Interest Income	8,899,805	7,034,190	4,691,598	3,719,049
INTEREST EXPENSE ON				
Deposit liabilities	3,791,898	2,841,990	1,973,569	1,458,533
Bills Payable and Others	1,288,862	859,310	650,365	497,512
Total Interest Expense	5,080,760	3,701,300	2,623,934	1,956,045
NET INTEREST INCOME	3,819,045	3,332,890	2,067,664	1,763,004
IMPAIRMENT LOSSES	334,038	695,358	152,603	337,786
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	3,485,007	2,637,532	1,915,061	1,425,218
OTHER INCOME				
Trading Gain	716,436	676,352	-15,459	427,213
Service charges and fees	730,566	718,605	333,772	396,408
Trust Fees	364,444	211,125	211,388	106,555
Foreign Exchange Gain – net	5,211	115,047	27,956	53,298
Miscellaneous – net	-5,301	74,621	71,072	29,578
Total Other Income	1,811,356	1,795,750	628,729	1,013,052
OTHER EXPENSES				
Employee Benefits	1,229,369	952,185	762,949	569,651
Occupancy	513,406	322,434	265,339	166,333
Taxes and licenses	499,484	324,605	249,576	193,359
Insurance	167,874	130,035	80,220	63,126
Documentary Stamps Used	172,197	121,844	92,494	64,442
Security, Clerical, Messengerial and Janitorial	185,540	114,760	98,070	56,933
Litigation/Assets Acquired	154,635	123,578	46,471	80,329
Information Technology	71,917	89,880	36,730	44,699
Others	1,010,715	1,031,045	337,084	555,079
Total Other Expenses	4,005,137	3,210,366	1,968,933	1,793,951
INCOME BEFORE TAX	1,291,226	1,222,916	574,857	644,319
TAX EXPENSE (INCOME)	27,041	34,872	17,168	22,469
NET INCOME AFTER TAX	P 1,264,185	P 1,188,044	P 557,689	P 621,850
AVERAGE COMMON STOCK	952,357	915,997	952,357	915,997
INCOME PER SHARE (See annex A)				
Basic	1.33	1.30	0.58	0.68
Diluted	1.30	1.26	0.57	0.67

Note: This financial statement is in accordance with generally accepted accounting principle (GAAP).

BANCO DE ORO UNIVERSAL BANK & SUBSIDIARIES
12 ADB Ave. Ortigas Center, Mandaluyong City

STATEMENT OF CASH FLOWS
As of June 30, 2006 and June 30, 2005
(Amounts in Thousands of Pesos)

	Jun 30, 2006		Jun 30, 2005	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income after tax		1,264,185		1,188,044
Prior Year Adjustment				
Decrease (Increase In)				
Due from BSP	-10,129,247		-7,639,142	
Due from Other Banks	109,130		722,604	
Financial Assets at Fair Value Through Profit or Loss	1,512,101		3,110,396	
Available-for-Sale Securities	-12,540,503		18,085,332	
Held- to-Maturity	-20,438,625		-23,247,197	
Loans and Other Receivables	-11,252,884		-10,379,902	
Non Current Assets Held for Sale	44,220		-5,063,420	
Investment Property	-282,463		4,970,114	
Other Resources	-884,835	-53,863,106	32,127	-19,409,088
Increase (Decrease) in:				
Deposit Liabilities	41,000,376		10,794,102	
Derivatives	255,587		28,918	
Other Liabilities	682,751		538,610	
Net Unrealized (G/L) on AFS	-1,115,454	40,823,260	104,556	11,466,186
Net cash used in operating activities		-11,775,661		-6,754,858
CASH FLOWS FROM INVESTING ACTIVITIES:				
Equity Investment	74,511		13,923	
Bank Property & Equipment	-137,108		-66,604	
Net cash used in investing activities		-62,597		-52,681
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital Stock	223,968		314,038	
Surplus	674,925		-316,981	
Bills Payable	7,580,237		3,486,283	
Net Cash from financing activities		8,479,130		3,483,340
NET INCREASE IN CASH AND OTHER CASH ITEMS		-3,359,128		-3,324,199
CASH AND OTHER CASH ITEMS AT BEGINNING OF YEAR		6,621,220		5,627,066
CASH AND CASH EQUIVALENT AT THE END OF QUARTER		3,262,092		2,302,867

Note: This financial statement is in accordance with generally accepted accounting principle (GAAP)

BANCO DE ORO UNIVERSAL BANK & SUBSIDIARIES
12 ADB Ave. Ortigas Center, Mandaluyong City

STATEMENT OF CHANGES IN EQUITY
COMPARATIVE QUARTERS ENDED June 30, 2006 & 2005
(Amounts in Thousands of Pesos)

		Jun 30, 2006		Jun 30, 2005
CAPITAL STOCK				
Beginning Balance	P	9,395,933	P	9,081,897
Issuance of Common Shares		224,299		314,036
Balance end of Qtr. June	P	9,620,232	P	9,395,933
Treasury Shares – At Cost				
Balance end of Qtr. June	P	-33,018	P	-39,920
ADDITIONAL PAID IN CAPITAL				
Balance beginning	P	2,064,277	P	1,850,013
Additional Paid in Capital on Common Stock issued during the year		375,701		0
Other Equity Instruments		13,634		0
IPO Related Expenses		0		569
Equity component of IFC convertible loan		0		208,834
Balance end of Qtr. June	P	2,453,612	P	2,059,416
SURPLUS RESERVES				
Balance beginning	P	104,062	P	66,511
Transfer from Surplus Free		31,662		37,551
Balance end of Qtr. June	P	135,724	P	104,062
SURPLUS FREE				
Balance beginning	P	7,256,062	P	5,355,758
Net Income		1,264,185		1,188,044
Transfer to Surplus Reserves		-31,662		-37,551
Declaration of Cash Dividends		0		-590,323
Auditor's adjusting entries		265,239		151,170
Balance end of Qtr. June	P	8,753,824	P	6,067,098
UNREALIZED DECLINE IN VALUE OF ASS				
Balance end of Qtr. June	P	351,555	P	413,154
MINORITY INTEREST	P	0	P	-51,916
TOTAL EQUITY	P	21,281,929	P	17,947,827

BANCO DE ORO UNIVERSAL BANK & SUBSIDIARIES
12 ABD Ave. Ortigas Center, Mandaluyong City

AGING OF LOANS AND ACCOUNTS RECEIVABLE
As of June 30, 2006
(Amounts in Thousands of Pesos)

TYPE OF ACCOUNTS		CURRENT		61 – 180 DAYS		181 - 360 DAYS		OVER 360 DAYS		ITEMS IN LITIGATION		TOTAL
A. INTERBANK CALL LOANS RECEIVABLES	P	15,613,233	P	0	P	0	P	0	P	0	P	15,613,233
Interbank Call Loan Receivable-Local Banks		135,300										135,300
Interbank Call Loan Receivable-Fx. Regular		84,021										84,021
Interbank Call Loan Receivable Fcdu(Fx Banks-Abroad)		15,393,912										15,393,912
B. LOANS AND RECEIVABLES	P	98,798,382	P	923,651	P	526,277	P	2,664,390	P	844,811	P	103,757,511
Loans & Discounts		64,213,125		421,180		316,107		1,602,800		764,982		67,318,194
Agra-Agri Loans		6,584,428		238,753		80,900		89,069				6,993,150
Development Incentive Loans		81,556										81,556
Bills Purchases		2,355,702						12,396				2,368,098
Customers Liability on draft under LC/TR		8,929,422		143,138		33,968		192,290		59,557		9,358,375
Customers Liability for this bank's acceptances		622,736										622,736
Credit Card Receivables		1,784,017		69,072		63,414						1,916,503
Restructured Loans		629,785		33,520		26,795		432,462		12,415		1,134,977
Other Loan & Receivables		3,822,611		17,988		5,093		335,373		7,857		4,188,922
Reverse Repurchase Agreement		9,775,000										9,775,000
C. ACCOUNTS RECEIVABLE	P	1,560,642	P	6,685	P	116	P	175,042	P	0	P	1,742,485
TOTAL	P	115,972,257	P	930,336	P	526,393	P	2,839,432	P	844,811	P	121,113,229

Annex A

BANCO DE ORO UNIVERSAL BANK & SUBSIDIARIES
12 ABD Ave. Ortigas Center, Mandaluyong City

COMPUTATION OF WEIGHTED NUMBER OF COMMON SHARES
(Amounts in Thousands of Pesos Except Per Share Data)

NO. OF SHARES – COMMON As of June	Balance of Common Shares		Average Number of Common Shares
January 2005	908,190		
February 2005	908,190		
March 2005	908,190		
April 2005	908,190	136 days	682,397
May 2005	939,593		
June 2005	939,593	45 days	233,600
Weighted Average			915,997
Basic Earnings per share			
Consolidated Net Income			1,188,044
Divided by the weighted average number of outstanding common shares			915,997
Basic Earnings per share			1.30
Diluted Earnings Per Share			1.26
January 2006	939,593		
February 2006	939,593	78 days	404,907
March 2006	962,023		
April 2006	962,023		
May 2006	962,023		
June 2006	962,023	103 days	547,450
Weighted Average			952,357
Basic Earnings per share			
Consolidated Net Income for the six-months period ending June 2006			1,264,185
Divided by the weighted average number of outstanding common shares			952,357
Basic Earnings per share			1.33
Diluted Earnings Per Share			
Consolidated Net Income for the quarter June 30, 2006			1,264,185
Add: Interest Expense on convertible loan	15,495		
Less: Tax benefits from Interest Expense	5,423		10,072
Total Consolidated net income for DEPS computation			1,274,257
Weighted Average number of outstanding common shares	952,357		952,357
Add: Convertible loans from IFC			
Peso book value of loan as of June 30, 2006	526,085		
Conversion price	16.70		
Potential Common Shares from assumed conversion of convertible loans			31,502
Total weighted average Common Shares after conversion			983,859
Diluted Earnings Per Share			1.30

CHECKLIST OF REQUIRED DISCLOSURES
BANCO DE ORO UNIVERSAL BANK
For the six months ended: June 30, 2006

FINANCIAL INFORMATION

6. Disclosure that the issuer's interim financial report is in compliance with generally accepted accounting principles.

The Bank's interim financial statements is in compliance with generally accepted accounting principles (GAAP).

7.a A statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change.

The Bank's interim financial statements have been prepared using the same accounting policies and methods of computation as compared with the most recent annual financial statements

7.b Explanatory comments about the seasonality or cyclicality of interim operations.

Remarks: There is no seasonality or cyclicality in the Bank's operations.

7.c The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents.

Remarks: NONE

7.d The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period.

Remarks: NONE

7.e Issuances, repurchases, and repayments of debt and equity securities.

The Bank issued 22,429,906 shares to United Overseas Bank Limited (UOBL) amounting to P600.0M last March 20, 2006 as part of the Memorandum of Agreement between the two banks whereby BDO acquired United Overseas Bank Philippines' (UOBP) 66 branches.

7.f Dividends paid (aggregate or per share) separately for ordinary shares and other shares

The Bank's Board of Directors approved the declaration of a P0.80 per share cash dividends last May 6, 2006. Record and payment dates are still subject to BSP approval.

7.g Segment revenue and segment result for business segments or geographical segments whichever is the issuer's primary basis of segment reporting. (This shall be provided only if the issuer is required to disclose segment information in its annual financial statements).

Remarks: NONE. The Bank does not yet report quarterly revenues and expenses by business segment.

7.h Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

Remarks: NONE

7.i The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

BDO's credit card business (through its subsidiary BDO Credit Card Corp.) was consolidated to the Bank for operational efficiencies and funding flexibility.

7.j Changes in contingent liabilities or contingent assets from December 31,2005.

- **Total Contingent Accounts increased by 5% to P186.357B due to the following:**
  - **Unused Commercial Letters of Credit and Outstanding Guarantees Issued grew by 16% to P7.599B and 143% to P2.066B, respectively, owing to a higher level of trade transactions.**
  - **Late Deposit / Payments Received was up slightly by 7% or P36M as more transactions were received from clients.**
  - **Other Contingent Accounts surged by 45% to P81.272B on account of increased levels of swap and forward exchange transactions.**
- **Trust Accounts went down by 16% to P94.032B owing to a shift by UITF investors to the more traditional deposit products of the Bank.**
- **Bills for Collection declined by 49% to P850M due to decrease in volume of outward bills sent for collection.**

MANAGEMENT'S DISCUSSION & ANALYSIS

I. Balance Sheet – June 2006 vs. December 2005

- **Total Resources grew by 22% to P284.331B, mainly from an increase in deposits and other borrowings, which were used for an expansion in the Bank's securities and loan portfolios.**
- **Cash and Other Cash Items was reduced by 51% to P3.262B to maximize the earning potential of reserve assets. The year-end 2005 level was also unusually high owing to cash deposits by clients, from sales generated during the Christmas season.**
- **Due from BSP account consequently increased by 237% to P14.401B, coming from the Bank's cash deposits as well as additional reserves from higher deposit levels.**
- **Due from Other Banks slightly dropped by 2% to P5.025B due to lower foreign currency denominated placements.**
- **Financial Assets at Fair Value Through Profit or Loss declined by 20% to P5.990B, as the Bank took profits from its trading portfolio in the first few months of the year.**
- **Held-to-Maturity Securities and Available for Sale Securities expanded by 66% and 25%, respectively, to enhance the Bank's liquidity position and its ability to take advantage of potential investment opportunities.**
- **Loans and Other Receivables increased by 11% to P115.368B owing to higher receivables from customers and securities purchased under reverse repurchase agreements.**
- **Real and Other Properties Acquired was slightly up by 5% to P5.090B, from an increase in Investment Properties.**
- **Deposit Liabilities grew by 26% to P200.666B, as several UITF investors shifted to the more traditional deposit products of the Bank.**
- **Bills Payable increased by 17% to P53.426B owing to a higher level of interbank borrowings supporting earning assets growth.**
- **Other Liabilities rose by 10% to P7.543B due to higher level of unearned income and accruals consistent with an increased level of assets, liabilities and operating expenses.**
- **Capital Funds increased by 5% or P1.048 billion to P21.282B, originating from the reported P1.264B Net Income for the first semester, with the difference accounted for by revaluation losses on Available for Sale Securities.**

II. Balance Sheet – June 2006 vs. June 2005

- **Total Resources expanded by 45% or P88.570B from the previous year's level of P195.762B, owing to a growth in deposits, borrowings equity.**
- **Cash and Other Cash Items increased by 42% due to the growth in deposit levels and branch network.**
- **Due from BSP went up by 50% reflecting a higher level of reserves consistent with the deposit growth.**
- **Due from Other Banks rose by 43% primarily due to increased levels of foreign currency denominated placements and working balances with foreign banks.**
- **Financial Assets at Fair Value Through Profit or Loss decreased by 45% upon reclassification to Available for Sale Securities, which moved up by 225%.**
- **Loans and Other Receivables grew by 33% from higher levels of receivables from customers, interbank loans and securities purchased under reverse repurchase agreements.**

- **Bank Premises was up by 51% to P1.861B due to the expansion of the Bank's branch network as well as continued growth in the various business lines.**
- **Equity Investments surged by 119% to P3.477B primarily from investments in EPCI, ECNI and Generali Pilipinas in the second semester of 2005.**
- **Real and Other Properties Acquired contracted by 2% or P114 million from sales of foreclosed assets.**
- **Other Resources widened by 171% to P16.316B mainly due to the assets held for sale by the Bank's subsidiary, Onshore Strategic Assets, Inc. and the goodwill booked in relation to the acquisition of the UOBP branches.**
- **Deposit Liabilities grew by 44% from deposit marketing efforts as well as a shift by UITF investors to the more traditional deposit products of the Bank.**
- **Bills Payable increased by 66% due to higher levels of interbank borrowings and other treasury activities.**
- **Derivative Liabilities was up by 119% to P1.414B owing to the higher level of Treasury's investment products with embedded derivatives.**
- **Other Liabilities grew by 34% coming from a year-on-year rise in unearned income and accruals consistent with the increase in size and operations of the Bank.**
- **Capital Funds went up by 19% on the profitable operations of the Bank as well as the issuance of P600M common shares to UOBL last March 2006.**

III. Income Statement – June 2006 vs. June 2005

- **Net Income for the first semester reached P1.264B, up by 6% from the same period last year.**
- **Interest Income grew by 27% to P8.9B owing to an expansion in the Bank's securities and loan portfolios.**
- **Interest Expense increased by 37% to P5.081B from the growth in deposits and other borrowings.**
- **Net Interest Income was up by 15% to P3.819B as a result of higher volumes of earning assets**

- **The Bank set aside P334M as Impairment Loss, 52% lower than the same period last year as non-performing assets have been growing at a minimal pace.**
- **Other Income inched up at P1.811B compared to P1.796B for the same period last year.**
  - **Trading Gain was slightly up by 6% as the Bank took profits from its trading portfolio in the early part of the year.**
  - **Service Charges and Fees was up by only 2% from the same period last year.**
  - **Trust Fees surged by 73% from higher volume of funds managed by the group.**
  - **Foreign Exchange Gain dropped by 95% due to increased volumes of interbank swap transactions.**
  - **Miscellaneous Income dropped by a 107% primarily from lower investment banking income.**
- **Operating Expenses grew by 25% to P4.005B due of the following:**
  - **Employee Benefits increased by 29% following a higher manpower count owing to business expansion.**
  - **Occupancy and equipment-related expenses went up by 59% brought about by the expansion of the Bank's branch network and various business lines.**
  - **Insurance expenses as well as Security, Clerical, Messengerial & Janitorial expenditures rose by 29% and 62%, respectively, following the growth in branches and other fixed assets.**

- **Taxes and Licenses as well as Documentary Stamps Used grew by 54% and 41%, respectively, owing to increased business volume.**
- **Litigation/Assets Acquired was up by 25% in light of higher expenses incurred related to ROPA disposal.**
- **Information Technology expense dropped by 20% after considerable IT expenditures last year.**
- **Other Expenses slightly declined by 2% from the same period last year.**

- **Tax Expense was 22% down owing to higher increase in operating expenses relative to taxable income.**

1. **Discussion of the company's and its majority-owned subsidiaries' top five (5) key performance indicators. It shall include a discussion of the manner by which the company calculates or identifies the indicators presented on a comparable basis.**

	2Q2006	2Q2005	Inc/(Dec)
1.) Return on Average Equity (Annualized)			
Net Income / Average Total Capital Account			
1,264,185 / 20,758,117	12.18%		
1,188,044 / 17,302,999		13.73%	(1.55%)
2.) Return on Average Assets (Annualized)			
Net Income / Average Total Assets			
1,264,185 / 259,048,074	0.98%		
1,188,044 / 187,692,886		1.27%	(0.29%)
3.) Net Interest Margin (Annualized)			
Net Interest Income / Average Earning Assets			
3,819,045 / 225,688,938	3.38%		
3,332,889 / 164,447,527		4.05%	(0.67%)
4.) Capital Adequacy Ratio (with market risk)			
Total Qualifying Capital / Total Risk Weighted Assets (in MM PhP)			
22,072 / 121,839	18.12%		
19,972 / 95,581		20.90%	(2.78%)
5.) Earnings per share			
Net Income / Average Common Stock			
1,264,185 / 952,357	1.33		
1,188,044 / 915,997		1.30	0.03

1. **Annualized return on average equity (ROE) was down by 1.55% owing to higher operating expense levels relating to branch expansion and growth in various business lines.**
2. **Annualized return on average assets (ROA) declined by 0.29% for the same reason as stated above.**
3. **Annualized Net Interest Margin slightly decreased by 0.67% as the general interest rate environment was lower for the first half of this year compared to the same period last year.**
4. **Capital Adequacy Ratio was down to 18.12% from 20.90% due to growth in risk-weighted assets, particularly the Bank's loan portfolio.**
5. **Earnings per Share increased by P0.03 to P1.33 as a result of the increase in bottomline profits.**

3. a Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

Remarks: NONE

3. b Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

Remarks: NONE

3. c Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

Remarks: NONE

3. d Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

Remarks: NONE

3. e Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

Remarks: NONE

3. f Any significant elements of income or loss that did not arise from the issuer's continuing operations.

Remarks: NONE

3. g The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item;

The term "material" in this section shall refer to changes of items amounting to five percent (5%) of the relevant accounts or such lower amount, which the registrant deems material on the basis of other factors.

Vertical Analysis-Material Changes

I. Balance Sheet – June 2006 vs. December 2005

- **Held-to-Maturity Investments as a percentage of Total Resources increased from 13.3% to 18.1% as the Bank reinforced its liquidity position to take advantage of potential investment opportunities.**
- **Loans and Other Receivables to Total Resources declined from 44.5% to 40.6% as its growth was outpaced by the growth in the securities portfolio.**

II. Balance Sheet – June 2006 vs. June 2005

- **Loans and Other Receivables to Total Resources dropped from 44.4% to 40.6% as year-on-year growth was slower than growth in other asset accounts.**

III. Income Statement – June 2006 vs. June 2005

- **Interest Income from Investment Securities as a percentage of Total Interest Income contracted to 46.1% from 51.4% owing to slow growth in Held-to-Maturity Investments and a decline in Financial Assets Through Profit or Loss as compared to Loans and Other Receivables.**
- **Trust Fees accounted for 20.1% of Total Other Income, compared to 11.8% for the same period last year, owing to higher volume of funds managed by the group.**
- **Foreign Exchange Gain to Total Other Income declined to 0.3% from 6.4% primarily due to increased volumes of interbank swap transactions.**
- **Other Expenses to Total Operating Expenses contracted to 25.2% from 32.1% as year-on- year growth was outpaced by growth in expense accounts relating to expansion of the Bank's branch network and other business lines.**

3. h Any seasonal aspects that had a material effect on the financial condition or results of operations.

Remarks: NONE